

## SECTION 4

### FISCAL ADMINISTRATION

#### 4-1. General.

The Area/resident engineer assures proper utilization of Government funds, controls project funds to avoid an overobligated status, keeps accurate records of cost, and assures that costs are reported in accordance with established procedures. Cost reporting at the resident office includes employee time, requisitions, materials and services, travel, Government vehicles, and contractor earnings.

#### 4-2. Job Cost Control.

a. Realistic and up-to-date current working estimates (CWE) are the keystone of the USACE system for administrative control of funds and for the prevention of violation of statutes governing limitation of obligations and/or costs. CWE's show the control and contingency amounts, the Government cost components (engineering and design (E&D), supervision and administration (S&A), etc.), and any other appropriate items such as Government-furnished materials. The amounts shown are the official district estimates of the ultimate cost of the construction. A violation occurs when contractual obligations involving funds are in excess of statutory or programming authorizations.

b. In order to control and account for all costs for which the resident engineer is responsible, a running account of all job costs are maintained. The most effective means for administrative control of funds is a combination of (1) the district's local control procedures, (2) finance and accounting line item cost and obligation reports, and (3) up-to-the minute facts known by the resident office staff. These procedures provide line item control records which contain all details essential to control of costs at various levels such as field supervision and inspection.

c. The resident engineer advises the district (construction division) of any contemplated action which will result in changes to CWE's are recorded on project control records, such as anticipated changes in contract price, field office supervision and inspection costs, or possible claims.

d. Civil Works Projects Contingency Management

(1) Each project has an associated contingency that will be utilized during the management of the project. The project cost estimate is composed of all Federal and non-Federal costs to complete the project, including contingencies associated with various features/subfeatures. The prudent and judicial management of contingencies to accommodate uncertainties in the project is a shared responsibility of District and Division management. The limits of authority and mechanism for utilization of contingencies is described in ER 5-2-1. The goal is to have sufficient contingencies remaining after award to enter into and complete necessary construction contracts. As changes occur in the project development that impact cost, such as studies, investigations, in-house or A/E design costs, or estimated construction costs, the project cost estimate will be adjusted accordingly. Any revised costs in a feature/subfeature of the code of accounts will result in an equal and opposite change to the contingency. The net result to the project cost estimate will be zero as long as sufficient contingencies exist.

(2) At construction contract award, a minimum contingency allowance of 5 percent of the estimated construction cost of each construction contract must be available for potential construction changes. In the event there is a requirement to exceed the current project cost estimate, a new project cost estimate with contingencies (i.e., restored contingencies sufficient to complete the project) must be developed, and approval of the Director of Civil Works (DCW) must be obtained. (Including those actions where the contractor has indicated an intent to claim and those actions where, based on known considerations, there is a reasonable expectation of a contractor claim.)

e. The district keeps the resident engineer informed of all costs and estimates pertinent to each line item under the resident office jurisdiction. If necessary, the resident engineer may maintain informal supplemental accounts covering expenses chargeable to field supervision and inspection.

4-3. **Contract Costs.**

Contract costs are calculated monthly in a contract payment estimate based on the percentage of work accomplished. (Additional discussion on this subject is contained in sections 7-7, 7-8).

Contract cost accruals represent the estimated cost from the last ENG Form 93, Payment Estimate submitted, to the end of the current period. In addition, the resident engineer should inform the district of overruns or underruns in the quantity of unit price items in the contract. It is important that the district office be informed promptly when a variation in quantity is known if it will appreciably effect the cost of the contract. If the quantity variation exceeds the 15% threshold as provided for by FAR 29.972, then an equitable adjustment in the contract price may be demanded by either the Government or the contractor. The resident engineer assures that regulatory or statutory limitations on construction contracts are not exceeded. The monthly construction placement must be reviewed and related to the projected S&A expenses for the resident office, in order to manage the projected workload and staffing levels.

#### 4-4. Auditor Visits.

a. The district internal review staff will perform internal reviews of resident office operations. The auditor will discuss the findings and furnish a copy of the final audit report to the resident engineer.

b. The division contract audit staff will perform audits of cost or pricing data proposals for negotiated contracts and modifications when an audit is required or requested. The Defense Contract Audit Agency is responsible for auditing military contracts.

c. Visits to the project site may also be made by auditors from the Army Audit Agency (USAAA), the General Accounting Office (GAO), DODIG, DAIG, and the EIG. Normal procedures are that these visits be coordinated through the district and division prior to arrival at the project site.

#### 4-5. Supervision and Administration Costs.

a. General. The supervision and administration policy of the Corps follows the long-standing policy of DOD that all costs associated with a project at district level and below are considered as an investment in the project. All costs above district level are considered as an expense and should be paid out of operating funds. A new regulation prescribing the policies and procedures to be used in accounting and monitoring of supervision and administration (S&A) rates for construction will be published in the near future. It also prescribes the allowable costs and financial controls related to the S&A rate and flat rate accounts.

b. Methods of charging for work. Construction supervision and administration is charged in one of two ways, either at actual cost or at a flat rate. The flat rate may be either the Uniform Flat Rate or "Other" Flat Rate. Currently there are four Uniform Flat Rates (the MILCON Flat Rates-6.0% CONUS and 6.5% OCONUS; and the RPMA Flat Rates-- 8.0% CONUS and 8.5% OCONUS). RPMA (Real Property Maintenance Account) refers to Installation Support work paid for by a DEH, BCE or tenant customer. It includes funds provided by OMA, OMAF, OMAR and funds provided by installation tenants and activities, which do not come under Milcon or the other categories subject to Milcon flat rate charges.

METHODS OF CHARGING FOR WORK

A. Flat Rate

1. Uniform Flat Rate

	<u>CONUS</u>	<u>OCONUS</u>
MILCON	6.0%	6.5%
RPMA	8.0%	8.5%

2. Other Flat Rate

B. At Actual Cost

c. Costs Applicable to S&A. S&A includes the cost of performing supervision and inspection (S&I) plus the applicable district overhead (OH). Most of the S&A costs are for salaries and wages, including government benefits, and the remainder is for miscellaneous associated costs such as travel, Title II, trailers, vehicles, non-construction supplies, materials and transportation, communication services, rents and utilities, services, training and other distributive costs. Appendix I, Chapter 6, of ER 37-345-10 identifies the allowable military charges to S&A. Similar S&A charges for civil works are allowable as per ER 37-2-10.

d. Capital assets are defined as assets having an acquisition cost of \$5,000 or more, and a useful life of two years or more. The flat rate S&A accounts will not, under any circumstances, be used for their acquisition. For acquisition of capital assets in support of Area Office operations, excluding structures to house offices, Other Procurement Army funds shall be used.

e. S&A Uniform Rate Procedures. The current procedure of funding S&A cost requirements for construction projects is to apply a fixed S&A flat rate percentage based on the Direct Construction Cost (DCC) of the project. This S&A income, together with the actual district/operating division's S&A expenses, are consolidated by the district/division in the appropriate S&A account. At the end of each month, the loss or gain in each of the accounts, i.e., the difference between the actual expenses incurred and the income (charges applied at the uniform rate), is transferred to (or from) the consolidated Corps S&A account, currently maintained in Omaha, Nebraska. In this way, the total Corps S&A costs are distributed to all projects regardless of the individual project cost. Management of the flat rate account is centralized at HQUSACE, (CEMP-CM).

f. Establishment of S&A ceilings. Annually, during the fourth quarter of the Fiscal Year (FY), HQUSACE requests divisions to submit placement and expense information for the next FY. Divisions in turn obtain this information from each of their districts. HQUSACE will evaluate the rates proposed by each division. Factors to be considered include budget constraints, current placement and expense cost, accuracy of previous estimates of placement and expense, size and complexity of program, manpower resources allocated, OCONUS costs, and other relevant items. HQUSACE issues ceilings to the Divisions by the beginning of the new fiscal year which is generally based on a percentage of the projected placement. Divisions, in turn, will assign ceilings to their districts and require a monthly schedule of placement and expense, showing how each district plans to stay within its assigned ceiling. The Chief of Construction will assign appropriate S & I ceilings to each Area office and the AE and/or RE is responsible to manage within these ceilings.

g. Authority to Deviate From Prescribed Rates. Uniform flat rates are established at HQUSACE. FOA Commanders are not authorized to negotiate separate rates. It is not acceptable to use a lower S&A rate in order to maintain a current working estimate (CWE) within the programmed amount. As a rare exception, minor deviations may be requested near the end of a project, to preclude minor reprogramming requests to Congress. Exceptions or deviations must be approved by HQUSACE (ATTN: CEMP-CM).